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# Assessment of WIC Cost-Containment Practices

## An Interim Report to Congress

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### Abstract

This report presents progress from the first year of a study to assess the effects of cost-containment practices by State agencies administering USDA's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The WIC program augments the diets of eligible pregnant, breastfeeding, and postpartum women, infants, and children and is funded by cash grants to State WIC agencies from annual congressional appropriations. To serve as many eligible individuals as possible, State WIC agencies often implement practices designed to reduce food costs. These practices include limiting authorized food vendors to those stores with lower food prices; limiting food item selection according to brand, package size, form, or price; and negotiating rebates with food manufacturers or suppliers. There is concern these practices may have the inadvertent effect of countering the program's goal of supplementing diets with nutritious food.

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The study began with interviews with FNS regional staff and representatives of groups with special interest in WIC cost-containment practices. Though too many to thank individually, we would like to express our gratitude for the numerous public officials and organizational representatives who gave their time to help us understand more clearly the cost-containment issues faced by WIC program officials, WIC participants, WIC-authorized vendors, and food manufacturers. Most particularly, we wish to thank Chris Casey of FNS for his assistance in helping set up the interviews with regional staff.

Six states have agreed to participate in the study, and we would like to thank the WIC directors and their staff in each state for their willingness to support this research effort. State program staff face large constraints on their time and resources, and we are very grateful that all six states recruited for this study agreed to participate.

Finally, we wish to thank the many individuals at Abt Associates who have helped with this study. Chris Logan, Mary Kay Crepinsek and Lisa Litin conducted many of the interviews and assembled information for the report. Susan Byers Paxson formatted the report text and tables.

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# Abstract

The Food and Nutrition Service (FNS) of the U.S. Department of Agriculture, together with designated State agencies, administers the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The WIC program, which augments the diets of eligible pregnant, breastfeeding, and postpartum women, infants, and children, is funded by cash grants to State WIC agencies, from annual congressional appropriations. Each State's cash grant includes a food grant and a nutrition services and administration (NSA) grant. In FY2000, food grants represented approximately 74 percent of the total cash grant of \$4.1 billion.

Because WIC is not an entitlement program, some eligible individuals have been turned down when appropriations are insufficient. In an effort to serve as many eligible individuals as possible, State WIC agencies often implement one or more practices designed to reduce the average food cost per WIC participant. These practices include limiting authorized food vendors to those stores with lower food prices; limiting food item selection according to brand, package size, form, or price (e.g., requiring purchase of least-cost items); and negotiating rebates with food manufacturers or suppliers.

Concern has been raised that vendor-selection practices may reduce WIC participants' access to WIC vendors, and item-selection practices and manufacturers' rebates may reduce participant satisfaction with the range of food items available for purchase within WIC. Reduced satisfaction may, in turn, lead to reduced consumption of certain food items or even a decision to leave the program. In either case, the cost-containment practices would have the inadvertent effect of countering the program's goal of supplementing diets with nutritious food.

As part of the William F. Goodling Child Nutrition Act of 1998, the Economic Research Service (ERS), U.S. Department of Agriculture (USDA), has been directed to conduct a study to assess the impacts of cost-containment practices on the following seven outcome measures: program participation; access and availability of prescribed foods; voucher redemption rates and actual food selections by participants; participants on special diets or with specific food allergies; participant use of and satisfaction with prescribed foods; achievement of positive health outcomes; and program costs.

This Interim Report presents results from the first year of the study, including details of State WIC agencies' cost-containment practices, classification of States according to cost-containment practices, and the selection of six States for case studies. The information on cost-containment practices is based on the following: review of State WIC manuals, vendor application materials, and approved food lists; comparison of numbers of WIC vendors and Food Stamp Program (FSP)-approved retailers in each State; and interviews with representatives of FNS, the National Association of WIC Directors (NAWD), and several food industry associations.

This report also describes planned data collection efforts and subsequent analyses to be conducted to address each of the seven objectives specified in the legislation mandating the study. The data collection efforts include a survey of WIC participants, a survey of food prices, collection of store scanner data to assess brand choice, focus groups with WIC participants who have dropped out of the program, and interviews with State and local WIC officials to learn about how cost-containment practices are implemented and their administrative cost.